

Office of the  
Legislative Fiscal Analyst

## **FY 2003 Budget Recommendations**

Joint Appropriations Subcommittee for  
Commerce and Revenue

**Utah College of Applied Technology**

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## **1.0 Summary: Utah College of Applied Technology**

In the Special Legislative Session on June 20, 2001, the Legislature passed House Bill 1003, “Applied Technology Governance.” With the passage of this bill, the Utah College of Applied Technology (UCAT) was established September 1, 2001 and become the tenth higher education institution. UCAT is comprised of ten regional technology colleges (ATCs) located throughout the state.

In creating UCAT, the Legislature moved five Applied Technology Centers and three Applied Technology Center Service Regions (ATCSR) from the governance of the State Board of Education to UCAT. The former Wasatch Front Applied Technology Center underwent a name change to the Salt Lake-Tooele Applied Technology College. The Southwest ATCSR was divided into two colleges, the Southwest and Dixie Applied Technology Colleges. The tenth technical college, the Central Applied Technology College is located in Richfield in the same facility as Snow College South. All assets associated with each Applied Technology Center and Applied Technology Center Service Region were transferred to the respective colleges with the Southwest’s funding being allocated between the Southwest and Dixie Technology Colleges. The Central Applied Technology College received their funding from the Snow College South-Secondary line item.

The mission of UCAT is to provide applied technology education (ATE) for both adult and high school students to meet the social and economic needs of the state efficiently and effectively, through collaborative partnerships between the educational systems, and business and industry. UCAT is to offer quality educational programs and innovative delivery systems to ensure a skilled and educated workforce. ATE programs by the delivering institutions offer open-entry/open-exit, high quality, competency based training for secondary and adult students. In the future, competency based high school and associate degrees will be offered by UCAT.

## **Financial Information**

The recommended base budget for FY 2003 totals \$41,863,100 for the Utah College of Applied Technology (UCAT). The Plan of Financing includes \$38,373,300 (represents 92% of the total funding) in state funds and \$3,489,800 from all other sources. The Analyst base budget recommendation is comprised of the revised estimate from FY 2002 as approved by Executive Appropriations Committee with the ongoing base budget reduction of \$2,055,000 and includes the following items:

- Internal Service Fund Adjustments - \$16,500
- Retirement Rate Allocation - \$5,700

The following table indicates distribution of the FY 2003 Analyst base as well as the Plan of Financing for UCAT:

<b>Utah College of Applied Technology</b>			
	<b>Analyst FY 2003 Base</b>	<b>Analyst FY 2003 Changes</b>	<b>Analyst FY 2003 Total</b>
<b>Financing</b>			
General Fund	1,324,600		1,324,600
Uniform School Fund	24,975,800		24,975,800
Income Tax	12,072,900		12,072,900
Dedicated Credits Revenue	3,358,000		3,358,000
Beginning Nonlapsing	876,308		876,308
Closing Nonlapsing	(744,508)		(744,508)
<b>Total</b>	<u>\$41,863,100</u>	<u>\$0</u>	<u>\$41,863,100</u>
<b>Programs</b>			
Administration	6,013,300		6,013,300
Bridgerland ATC	7,950,700		7,950,700
Central ATC	1,195,800		1,195,800
Davis ATC	7,770,900		7,770,900
Dixie ATC	663,800		663,800
Mountainlands ATC	1,929,200		1,929,200
Ogden/Weber ATC	8,585,300		8,585,300
Salt Lake/Tooele ATC	1,898,500		1,898,500
Southeast ATC	740,400		740,400
Uintah Basin ATC	3,968,100		3,968,100
<b>Total</b>	<u>\$41,863,100</u>	<u>\$0</u>	<u>\$41,863,100</u>

## **2.0 Issues: Utah College of Applied Technology**

### **2.10 Utah College of Applied Technology Base Adjustments**

#### **2.11 Retirement Rate Adjustment - \$5,700**

The Analyst recommends an adjustment of \$5,700 for retirement rate contributions based on changes in the retirement allowance calculation. With the passage of Senate Bill 171, "State Retirement Formula Changes," provided an additional benefit to contributory and non-contributory retirees by changing the calculation for the retirement allowance from 1.1 to 1.25 percent. Based on the change in the retirement allowance, the base increased by \$5,700 for retirement rate benefits.

#### **2.12 Internal Service Fund Adjustments - \$16,500**

The Analyst recommends a change in the base for Internal Service Fund adjustments of \$16,500. This figure includes an increase for Risk Management of \$13,300 and for Fleet Management of \$3,200 for FY 2003.

#### **2.13 Budget Reduction carried forward from FY 2002 – (\$2,055,000)**

The Analyst recommends an ongoing budget reduction in FY 2003 of \$2,055,000. Due to revenue shortfalls in FY 2002, the Legislature approved an ongoing budget reduction of \$2,055,000 for UCAT.

#### **2.14 Conversion of Uniform School Funds to Income Tax**

The Analyst recommends changing the Uniform School Funds to Income Tax in the amount of \$24,975,800. Constitutionally, Uniform School Funds may be expended for the support of the public education system. Since the Utah College of Applied Technology was transferred from Public to Higher Education, the source of funds appropriated as Uniform School Funds needs to be changed to Income Tax Revenues.

#### **2.20 Compensation**

Money for employee salary increases is not reflected in these figures. If funds are set aside for the compensation package by the Executive Appropriations Committee (EAC), the Analyst will allocate the funding to each institution.

## **2.21 Health and Dental Insurance**

The Executive Appropriations Committee also determines the allocation for health and dental premium rate increases. In FY 2003, the projected rate increases based on PEHP rates for UCAT will be \$364,600. Health and dental insurance rates have increase dramatically over the last several years, particularly relating to prescription cost. If funding is set aside by EAC for health and dental rate increases, the Analyst will distribute the funding to each college.

## **2.30 Utah College of Applied Technology Incremental Programmatic Funding Recommendations**

### **2.31 Change in Interest Earnings – \$779,500**

The Analyst recommends, if additional funding becomes available, an appropriation of \$779,500 to cover the loss of interest earnings. The Division of Finance used to allocate the funds to the Utah College of Applied Technology twice a year, which allowed each college to invest the monies and use the interest earnings to fund additional programs. State Finance's new policy now distributes the funding twice a month, resulting in lost interest income for UCAT.

### **2.32 Conversion of FY 2002 One-time Funding for UCAT Administration to Ongoing - \$150,000**

The Analyst recommends that one-time funding of \$150,000 from FY 2002 be added as ongoing in FY 2003, if additional funding becomes available. In FY 2002, the Legislature appropriated one-time funding for the UCAT Administration to cover operating expenses. Since these expenditures are ongoing in nature, the funding needs to be converted to ongoing.

### **2.33 Enrollment Growth - \$1,054,200**

The Analyst recommends, if additional funding becomes available, an appropriation of \$1,054,200 in FY 2003 for enrollment growth. The enrollment growth is based on 269,225 Membership Hours, which represents a 4.86 percent increase system-wide. Enrollment for UCAT system-wide is still growing and long-term projections indicate that growth will continue into the foreseeable future. The Analyst proposes a formula change based on the average cost of instruction of \$3.73 multiplied time the actual enrollment growth along with a fixed amount for indirect costs.

### **2.34 Administrative Costs for Dixie Applied Technology College - \$100,000**

The Analyst recommends, if additional funding becomes available, an appropriation of \$100,000 for the administrative costs at Dixie Applied Technology College. With the creation of the Utah College of Applied Technology, the Southwest Applied Technology Center Service Region was split into two regional technology colleges, the Southwest and Dixie Applied Technology Colleges. Although, the funding was split between the two regions, Dixie needs some additional administrative money to cover operating costs.

### **2.35 Americans with Disabilities (ADA) - \$30,500**

The Analyst recommends funding of \$30,500 for ADA if additional funding becomes available. The Americans with Disabilities Act is designed to remove obstructions that prevent disabled persons from full participation in activities that are available to the general public. As student enrollments increase, the number of disabled students participating in college life also increases.

### **2.40 System-wide Initiatives**

#### **2.41 Custom Fit - \$1,000,000**

The Analyst recommends, if additional funding is available, an appropriation of \$1,000,000 for FY 2003 for Custom Fit. Through the Custom Fit Training Programs, training is developed for Utah employers tailored to specifically meet their needs. The Program is also designed to attract new businesses, and aid in the retention and expansion of existing businesses. Custom Fit offers a diversity of services for business and industry, which in turn stimulates the economy.

#### **2.42 Utah Academic Library Consortium (UALC) - \$50,000**

The Analyst recommends, if additional funding is available, an appropriation of \$50,000 to the UALC. UCAT is in the process of working on accreditation so they can offer Associate of Applied Technology Degrees. A critical component for accreditation is the need for access to libraries for UCAT institutions. The UALC currently evaluates the library needs of the USHE institutions. Additional funding would allow the UCAT institutions to become a member of the UALC.

## **2.50 One-time Funding Recommendation**

### **2.51 Davis Applied Technology College Lease Funding - \$50,000**

If additional funding becomes available, the Analyst recommends a one-time appropriation of \$50,000 for lease costs. Davis Applied Technology College is required to move to temporary quarters while the old Davis High School is being rebuilt.

### **2.52 Applied Technology Equipment - \$500,000**

The Analyst recommends one-time funding of \$500,000 if additional funding becomes available for applied technology education (ATE) equipment. ATE equipment is critical to providing quality education for students enrolled at the applied technology colleges.

### **2.60 Reallocation of Funding - \$3,699,400**

If additional funding is not available to meet operating needs for UCAT, other sources of revenue must be evaluated as well as a reallocation of existing funding. The Analyst recommends a combination of reallocation funding and a tuition rate increase totaling \$3,699,400 to meet institutional operating costs.

## **2.70 Budget Requests Not Recommended for Funding**

### **2.71 Fuel and Power Rate Increases**

Over the past several years, the most alarming rate increases have been in fuel and power due to significant rate changes. However, fuel and power rates have stabilized and in most cases decreased, therefore, the Analyst does not recommend funding fuel and power request for FY 2003.

### **2.72 Operation and Maintenance (O&M) for the Brigham City Complex**

This project was put on the Governor's cut list when the revenue shortfalls became apparent early in FY 2002. The project was placed back on the building board list with a ranking of 11<sup>th</sup> for consideration by the 2002 Legislature. It is the recommendation that the O&M request not be funded at this time, since it is not known if the Legislature will approve the purchase. When the purchase goes through, the Analyst recommends an evaluation of the funding needs at that time.



### **2.73 Engineering Initiative**

Senate Bill 61, “Enhancements of the State System of Public and Higher Education” established the Technology Initiative Advisory Board (TIAB) and the Job Enhancement Committee (JEC) during FY 2002. Both committees are still working on determining policies and procedures as well as assessing critical needs across the state. The initial funding for Higher Education in FY 2002 was 4 million dollars, one million of which was ongoing. UCAT received ongoing funding of \$1.1 million. Based on FY 2002 appropriation of ongoing monies, limited funding in 2003, and the committees’ recommendation, the Analyst does not recommend funding the Engineering Initiative in FY 2003.

### **2.74 Management Information System – (MIS)**

The Utah System of Higher Education is in the process of implementing a new Management Information System. UCAT can utilize that system for most functions except student data. However, it appears there is no consistency between the technical colleges relating to data collection and reporting. The Analyst does not recommend funding this project at this time until an evaluation of system needs is performed, the development of uniform standards is established and a plan of implementation is completed.

### 3.0 Utah College of Applied Technology Recommendations for FY 2003

#### 3.10 Utah College of Applied Technology Base Adjustments

##### 3.11 Retirement Rate Adjustments - \$5,700

The Analyst recommends an adjustment of \$5,700 for retirement rate contributions based on changes in the retirement allowance calculation. The passage of Senate Bill 171, "State Retirement Formula Changes," provided an additional benefit to contributory and non-contributory retirees by changing the calculation for the retirement allowance from 1.1 to 1.25 percent. Based on the change in the retirement allowance, the base increased by \$5,700 for retirement rate benefits for the UCAT. The following table shows the retirement rate adjustments:

<b>UCAT Retirement Rate Adjustments Based on Senate Bill 171</b>	
<b>Institution</b>	<b>Amount</b>
UCAT - Administration	\$100
Bridgerland Applied Technology College	1,200
Central Applied Technology College	200
Davis Applied Technology College	1,200
Dixie Applied Technology College	100
Mountainlands Applied Technology College	400
Ogden-Weber Applied Technology College	1,300
Salt Lake-Tooele Applied Technology College	300
Southeast Applied Technology College	100
Southwest Applied Technology College	200
Uintah Basin Applied Technology College	600
	<u>\$5,700</u>

##### 3.12 Internal Service Fund Adjustments - \$16,500

The recommended appropriation for FY 2003, of \$16,500 includes \$13,300 for Risk Management and \$3,200 for Fleet Management. These adjustments in property and liability insurance premiums and motor pool service rates are pass through from the Department of Administrative Services to each state entity. The following table illustrates the FY 2003 allocation to the UCAT:

<b>UCAT Internal Service Fund Adjustments</b>			
<b>Institution</b>	<b>Risk Management</b>	<b>Fleet Management</b>	<b>Total</b>
Bridgerland ATC	\$3,300	\$0	\$3,300
Davis ATC	3,800	0	3,800
Ogden-Weber ATC	4,300	1,400	5,700
Southwest ATC	0	200	200
Uintah Basin ATC	0	1,600	1,600
Salt Lake-Tooele ATC	1,900	0	1,900
<b>UCAT Total</b>	<u>\$13,300</u>	<u>\$3,200</u>	<u>\$16,500</u>

**3.13 Budget Reduction Carried Forward from FY 2002 – (\$2,055,000)**

The Analyst recommends an ongoing budget reduction in FY 2003 of \$2,055,000. Due to revenue shortfalls, the Legislature approved in FY 2002 an ongoing budget reduction of \$2,055,000 for UCAT.

**3.14 Conversion of Uniform School Funds to Income Tax**

Constitutionally, Uniform School Funds may be expended for the support of the public education system. Since the Utah College of Applied Technology was transferred from Public to Higher Education, the source of revenue appropriated as Uniform School Funds needs to be changed to Income Tax Revenues.

The Analyst recommends changing the Uniform School Funds to Income Tax in the amount of \$24,975,800 as indicated on the following table:

<b>UCAT Conversion of Uniform School Funds to Income Tax</b>	
Bridgerland	\$6,638,100
Davis	6,584,400
Ogden-Weber	7,264,900
Uintah Basin	3,452,000
Salt Lake-Tooele	1,036,400
<b>Total</b>	<b>\$24,975,800</b>

**3.20 Compensation**

A compensation recommendation for FY 2003 is not included in the Analyst's budget figures for the Utah System of Higher Education. The Executive Appropriation Committee will determine the compensation package if additional funds are set aside. A one percent compensation increase costs \$260,700. When the Executive Appropriation Committee makes the final decision regarding compensation, the Legislative Fiscal Analyst will allocate funds to the appropriate colleges.

### **3.21 Health and Dental Insurance**

Health and dental insurance rates have increased dramatically over the last several years, particularly relating to prescription costs. The recommendation for FY 2003 health and dental premium rate increases is not included in the Analyst's budget figures for the Utah College of Applied Technology. The final compensation package will be determined later in the session by the Executive Appropriation Committee if additional funds become available. Although exact health insurance rates for each UCAT institutions are not known at this time, the Analyst used the PEHP proposed rate adjustments as a guide for estimating a health insurance cost increase for the budget. The proposed rate change includes an 11.25 percent increase for health insurance premiums and a 3 percent increase for dental insurance premiums at a total cost in State funding of \$364,600. In higher education, a proportionate share of health and dental as well as the compensation package is paid with new tuition revenue which would amount to about 10% of the total cost or approximately \$35,000 for UCAT health and dental rate increases. If Executive Appropriation approves health and dental increases, the Analyst will distribute the funds to the colleges.

### **3.30 Utah College of Applied Technology Incremental Programmatic Funding Recommendations**

#### **3.31 Change in Interest Earnings - \$779,500**

In the past, appropriated State funds were allocated twice a year to the Applied Technology Colleges (formerly the Applied Technology Centers). Those entities invested the monies each year, providing investment income, which allowed the UCAT colleges to support approximately 20 ATE programs. State funds are normally distributed to other state agencies every two weeks. State finance informed the UCAT institutions that the allocation of funds will be every two weeks instead of semi-annually in the future. When the new distribution method is implemented, the estimated revenue loss of investment income will be about \$779,500. It is the Analyst recommendation that the interest income be replaced with \$779,500 if additional funding becomes available. The following table indicates the distribution based on actual interest earnings from FY 2001 as well as the variance between the years:

UCAT Interest Earnings Replacement			
Applied Technology Colleges	FY 2001 Interest Earnings (Actuals)	FY 2003 Interest Replacement	Variance
Bridgerland	\$151,100	\$153,200	(\$2,100)
Central	0	0	0
Davis	161,200	163,400	(2,200)
Dixie	14,800	15,200	(400)
Mountainlands	60,100	60,900	(800)
Ogden-Weber	183,000	185,500	(2,500)
Salt Lake-Tooele	46,000	46,600	(600)
Southeast	28,100	28,500	(400)
Southwest	44,400	45,000	(600)
Uintah Basin	80,100	81,200	(1,100)
<b>Total</b>	<b>\$768,800</b>	<b>\$779,500</b>	<b>(\$8,600)</b>

### 3.32 Conversion of FY 2002 One-time Funding for UCAT Administration to Ongoing - \$150,000

In FY 2002, the Legislature transferred from public and higher education \$394,000 for UCAT Administration. The Legislature also appropriated one-time funding of \$200,000 for the operating expenses of the UCAT administrative office. The \$200,000 one-time is for expenditures that are ongoing in nature, therefore the funding needs to be converted from one-time to ongoing. However, the UCAT President moved into an existing office of an employee that will not be rehired at the State Board of Regents, therefore the appropriation of \$200,000 could be reduced by \$50,000. The Analyst recommends that the Administration funding be replaced with \$150,000 of ongoing monies if additional funding becomes available.

### 3.33 Enrollment Growth - \$1,054,200

Under the State Board of Education, the enrollment growth funding for the Applied Technology Centers (ATCs) and Applied Technology Center Service Regions (ATCSRs) was calculated by increasing the base funding of each entity by a system-wide average enrollment growth factor. This approach treated each entity as “one size fits all”. The current year system-wide average is 4.86 percent at a cost of \$1,562,700 in State funds.

The Analyst proposes for FY 2003 changing the enrollment funding mechanism for the UCAT technical colleges with a combination of fixed and variable funding. The proposed model is based on the average cost of enrollment instruction multiplied by the actual enrollment growth with a fixed amount for indirect costs. This approach will help to sustain the smaller schools plus fund each institution at a level consistent with enrollment growth.

The following table indicates the proposed enrollment model:

UCAT Enrollment Growth Formula				
1	2	3	4	5
Applied Technology Colleges	FY 2001 Enrollment Growth	Enrollment Growth by Average Cost of Instruction of \$3.73	Fixed Rate	Total State Funding
Bridgerland	(25,258)	(94,200)	\$5,000	(\$89,200)
Central	21,416	79,900	5,000	\$84,900
Davis	86,617	323,100	5,000	\$328,100
Dixie	5,545	20,700	5,000	\$25,700
Mountainlands	28,957	108,000	5,000	\$113,000
Ogden-Weber	184,087	686,600	5,000	\$691,600
Salt Lake-Tooele	(92,461)	(344,900)	5,000	(\$339,900)
Southeast	13,218	49,300	5,000	\$54,300
Southwest	16,634	62,000	5,000	\$67,000
Uintah Basin	30,470	113,700	5,000	\$118,700
<b>Total</b>	<b>269,225</b>	<b>\$1,004,200</b>	<b>\$50,000</b>	<b>\$1,054,200</b>

The Analyst's formula multiplies the actual enrollment growth of each technical college by the average cost of instruction of \$3.73. Two institutions, Bridgerland and Salt Lake-Tooele experienced declining enrollments. Each institution also received a fixed amount of \$5,000 to help with indirect costs associated with ATE instruction such as advising, counseling, libraries etc. The total enrollment package of \$1,054,200 is found in Column 5. Appendix A has tables showing enrollment statistics as well as graphs.

Although the enrollment growth model recommended by the Analyst is more in line with an enrollment mechanism, current information available at this time only allowed the Analyst to determine an average cost of instruction based on the four former applied technology centers. By using the average cost of instruction, the model does not adequately evaluate the cost of instruction for certain disciplines that are more costly. For example, the cost of instruction for a student enrolled in a nursing or diesel mechanic program is more expensive than a student enrolled in a secretarial course or a flagger program. Certain programs are equipment intensive, while others require an instructor with specialized credentials. There is also the challenge of certain curriculum limiting access due to faculty/student ratio requirements or availability of space because of equipment constraints. It is recommended that an evaluation of enrollment growth funding mechanisms be studied in the interim to determine actual costs of instruction.

If additional funding becomes available, the Analyst recommends an appropriation of \$1,054,200 in FY 2003 for enrollment growth. It is further the recommendation of the Analyst that an interim study of the enrollment formula be conducted by the Utah College of Applied Technology Board of Trustees in conjunction with the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget to create an equitable and appropriate funding formula for enrollment growth. The Analyst recommends the following intent language be included in the Legislation:

*It is the intent of the Legislature that the Utah College of Applied Technology Board of Trustees perform an interim study of the enrollment growth formula in conjunction with the Office of the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget to determine an equitable and appropriate funding formula for enrollment growth.*

### **3.34 Administrative Costs for Dixie Applied Technology College - \$100,000**

In the Special Legislative Session, the Southwest Applied Technology Center Service Region was split to form two regional colleges, the Southwest and Dixie Applied Technology Colleges. The funding for the two technical colleges was split based on the programs occurring in the regions. Dixie received about 38 percent of the funding while the Southwest received 62 percent of the funding. The Administrative costs transferred amounted to \$194,200 as well as \$125,000 to cover lease expenditures. Dixie requires additional administrative funding to cover operating expenditures. The Analyst recommend if additional funding becomes available, an appropriation of \$100,000 for the Administrative costs for FY 2003 for Dixie Applied Technology College.

### **3.35 Americans with Disabilities - \$30,500**

The Americans with Disabilities Act is designed to remove obstructions that prevent disabled persons from fully participating in activities that are available to the general public. As student enrollment grows and access increases, the number of disabled students participating in college life on Utah campuses also increases. Therefore, additional programmatic needs are required for disabled students on two campuses. This recommendation is to enhance funding for interpretive programs for the deaf, provide enlarged print services and readers for the blind, and purchase specialized equipment for these students located at Bridgerland and Ogden-Weber Applied Technology Colleges. The funding will be distributed as follows:

- Bridgerland - \$15,500
- Ogden-Weber - \$15,000

The Analyst recommends an appropriation of \$30,500 if additional funding becomes available.

### **3.40 System-wide Initiatives**

#### **3.41 Custom Fit - \$1,000,000**

Through the Custom Fit Training Programs, training is developed for Utah employers tailored to specifically meet their needs. The Program is also designed to attract new businesses, and aid in the retention and expansion of existing businesses. Custom Fit offers a diversity of services for business and industry, which in turn stimulates the economy. Custom Fit training is critical to the economic welfare of the State of Utah, therefore, the Analyst recommends an appropriation of \$1,000,000 if additional funding becomes available.

#### **3.42 Utah Academic Library Consortium (UALC) - \$50,000**

UCAT is in the process of working on accreditation so they can offer Associate of Applied Technology Degrees. An essential component for accreditation is access to libraries. Several years ago, the Utah System of Higher Education formed the Utah Academic Library Consortium (UALC) to meet the library needs of the institutions of higher education. The UALC evaluates the library needs of the USHE institutions as well as effectively negotiates library procurements and contractual agreements economically due to economies of scale. The UALC can offer economical and efficient ways for cooperation and collaboration between UCAT and USHE institutional libraries. Additional funding would allow the UCAT institutions to become a member of the UALC. The Analyst recommends if additional funding becomes available, an appropriation of \$50,000 for FY 2003 for the library needs.

### **3.50 One-time Funding Recommendations**

#### **3.51 Lease Funding for Davis Applied Technology College - \$50,000**

Davis Applied Technology College's (DATC) campus is located adjacent to Davis High School (DHS). DATC and DHS have a history of cooperation and collaboration to meet the needs of the students of Davis County. The DATC has several ATE programs in DHS. Davis School District determined that DHS needed to be rebuilt to meet the demands of population increases. Also, several of the buildings located on the Davis Campus were condemned. DHS will be demolished and the construction of a new DHS will be built on the existing campus. Unfortunately, the DHS facilities being used by DATC will have to be vacated. The displacement of the electrical, plumbing, and construction programs will force the DATC into temporary space for the programs to continue. The Analyst recommends if additional funding becomes available, a one-time appropriation of \$50,000 to cover the lease costs.



### **3.52 Applied Technology Equipment - \$500,000**

Most Applied Technology Education (ATE) programs are equipment intensive. In order adequately prepare students for the workforce, UCAT needs to purchase the most up-to-date equipment to meet industry standards. The Analyst recommends, if additional funding becomes available, a one-time appropriation of \$500,000 for FY 2003.

### **3.60 Reallocation of Funding**

Due to the unavailability of funding, other sources of revenue must be evaluated to cover current funding needs.

### **3.61 Development Funding**

About a decade ago, the Legislature appropriated Development Funding to the Applied Technology Centers. The criteria was initially set aside for distribution of the monies each year based on enrollments, enrollment growth, competency and placement. However, the funding has not been used for its intended purpose. Several technical colleges requested that the funding be reallocated to their base budgets based on membership hours. Therefore the Analyst recommends using the funding of \$1,590,500 to offset current operating needs for FY 2003.

### **3.62 Equipment Funding**

In fiscal year 2002, the Legislature appropriated \$935,600 of ongoing funding and \$2,400,000 of one-time funding for equipment to UCAT. Equipment funding is typically one-time funding. The question arises, should the applied technology colleges purchase equipment or use the money to offset programs and personnel. Based on the current economic situation, perhaps it is more prudent to utilize this money for current operating needs. The Analyst recommends using the equipment monies of \$935,600 to offset current operating needs. It is further the recommendation of the Analyst that when the economic situation improves, that the equipment funding be restored.

### **3.63 Tuition Revenue**

Currently, the adults enrolled in Applied Technology Education programs at the ATC's pay tuition of 90 cents per membership hour. (Secondary students are exempt from tuition based on statute.) After visiting with each regional college, certain programs with excessive costs associated with instruction are charged a higher tuition to offset the costs. This is not standardized across the system and varies from region to region.

USHE has already stated they will raise tuition for FY 2003, 3 percent with the possibility of a 2<sup>nd</sup> tier after the Legislative Session to meet institutional needs. UCAT has remained silent on this issue. Tuition revenue is an additional source of revenue to offset operating costs. The Legislation that established UCAT stated that education for secondary students would be at no cost and “low cost” for adults. How do we define “low cost”? Currently tuition is set at 90 cents per membership hour. A three percent increase would bring the tuition to 93 cents and generate a little over \$100,500. By increasing tuition to \$1.25, UCAT could generate additional revenue of about \$1.2 million. Appendix B shows the impact of increases in tuition revenue by college. The Analyst recommends a rate increase in tuition to generate additional revenue to offset the funding needs for UCAT.

The Analyst recommends the following intent language be included in the Legislation relating to tuition revenue:

*It is the intent of the Legislature that a study be performed in the interim with members of the UCAT Board of Trustees, the Office of the Legislative Fiscal Analyst and the Governor’s Office of Planning and Budget to evaluate the tuition revenue. It is also the intent of the Legislature that uniform tuition rates be established for programs based on cost of instruction, and on market demand, as well as student’s potential earning power upon completion of the program. Based on the outcome of the study, it is the intent of the Legislature that a tuition rate increase be implemented the fall of 2002.*

*It is the intent of the Legislature that each college is to use tuition revenue generated by the tuition rate increases to cover institutional priorities.*

### **3.64 Tuition Policy**

In higher education, a proportionate share of the enrollment funding and compensation package including health and dental premiums is covered by new tuition revenue to offset state funding. The tuition revenue that could be used to reduce state funds for enrollment growth is \$287,500 and for health and dental rate increases, \$35,000 for a total savings of \$322,500. By using tuition revenue, the state funds could be used for financial support of institutional priorities in FY 2003. The Analyst recommends offsetting the cost of state funds for enrollment growth and health and dental rate increases with tuition revenue of \$322,500 to be used to cover operating expenses.

### **3.65 UCAT Funding Requirements for FY 2003**

The following table shows the funding needs and the revenues that can be used to cover the operating costs of UCAT:

<b>UCAT Funding Analysis</b>	
<b>Funded by Executive Appropriations</b>	
<b>Recommended Funding Needs</b>	
Interest Revenue Replacement	779,500
UCAT Admin Funding	150,000
Enrollment Growth	1,054,200
Admin Cost for Dixie ATC	100,000
Custom Fit	1,000,000
Library	50,000
Americans with Disabilities	30,500
Davis Lease (one-time)	50,000
ATE Equipment (one-time)	500,000
<b>Total Expenditures</b>	<b>\$3,714,200</b>
<b>Recommended Sources of Revenue</b>	
Development Funding	1,590,500
Equipment Funding	935,600
Tuition Rate Increase (\$1.25)	1,173,300
	<b>\$3,699,400</b>
<b>Remaining Balance of Revenue</b>	<b>\$14,800</b>

The Analyst recommends that \$2,526,100 be reallocated from the development and equipment funding to cover operation costs for FY 2003. The Analyst recommends that additional tuition revenue from a rate increase from \$0.90 to \$1.25 to cover the remaining funding recommendations.

### **3.70 Budget Request Not Recommended for Funding**

#### **3.71 Fuel and Power Rate Increases**

Over the past several years, the most alarming rate increases have been in fuel and power (natural gas and electrical power) due to significant rate changes. The fuel and power rates are starting to stabilize and in most cases go down. Reed Taylor, the State Purchasing Contract Specialist for natural gas has predicted that gas prices will drop by about \$2.00 per decatherm in FY 2003. Based on fuel and power rates stabilizing and in most cases decreasing, the Analyst does not recommend funding fuel and power rates for FY 2003.

#### **3.72 Operation and Maintenance of Facilities**

It has been the practice of the Legislature to view Operation and Maintenance (O&M) of facilities as an obligation of the State when the Legislature has approved both the construction of the facility and the payment of the O&M from State tax funds.

### **Bridgerland Applied Technology College Brigham City Complex**

The Brigham City Complex is located on Highway 89 at the mouth of Sardine Canyon. Box Elder County purchased the facility from Fred Meyer's and currently leases the space to Bridgerland Applied Technology College, Utah State University Brigham City Continuing Education Center, the Drivers License Division, as well as other state and local government agencies. The total facility has 107,000 square feet with 11 acres of land, however, BATC only occupies a little over 30,200 square feet of the total space. In the 2001 General Session, the Legislature appropriated funding for the purchase of the Brigham City Complex. Due to the revenue shortfalls, this project was put on the Governor's cut list of capital facility projects.

The purchase was placed back on the building board list as of October 15, 2001 with a ranking of 11<sup>th</sup> for consideration by the 2002 Legislature. Bridgerland is requesting operation and maintenance expenditures associated with the facility based on a rate of \$6 per square foot quoted by DFCM, which would be \$181,300 for 30,216 square feet.

It is the recommendation of the Analyst that the O&M request for the Brigham City Complex not be funded at this time, since it is not known if the Legislature will approve the purchase of this property in the 2002 General Session. When the purchase goes through, the Analyst recommends an evaluation of the funding needs at that time.

### **3.73 Engineering Initiative**

Senate Bill 61, "Enhancements of the State Systems of Public and Higher Education" established the Technology Initiative Advisory Board (TIAB) and Job Enhancement Committee (JEC) in FY 2002. Both the TIAB and JEC are working on determining policies and procedures as well as assessing critical needs across the state. In FY 2002, the Legislature appropriated Engineering funding of \$4,000,000 (\$1,000,000 of which was ongoing) to higher education and \$1,125,000 of ongoing funding to UCAT. Based on funding received in FY 2002, limited resources in FY 2003, and the TIAB and JEC's recommendations, the Analyst does not recommend funding the Engineering Initiative in FY 2003.

### **3.74 Management Information System (MIS)**

UCAT is requesting \$2.5 million for a management information system. Currently, the Utah System of Higher Education (USHE) is in the process of implementing a new MIS system. UCAT can utilize that system for most of the functions except student data. The student data component is not compatible between systems because the USHE system is not equipped to deal with open entry/open exit nor the calculation of membership hours versus credit hours. After reviewing each technical college's request, it appears that each college is doing their own thing. Also, the data collection and reporting is inconsistent across the system. The Analyst recommends an evaluation of the needs, development of uniform data collection and reporting standards, as well as a plan of implementation before requesting funding for a new MIS system for student data collection.

## 4.0 Funding History

The Following table illustrates the funding history for UCAT:

Utah College of Applied Technology					
	1999	2000	2001	2002	2003
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>
General Fund	1,645,000	1,177,100	1,034,700	1,324,500	1,324,600
General Fund, One-time				(95,000)	
Uniform School Fund	30,953,000	30,230,647	26,605,200	26,291,000	24,975,800
Uniform School Fund, One-time		(1,000)		(1,319,800)	
Income Tax			1,286,200	12,790,600	12,072,900
Income Tax, One-time				2,459,800	
Dedicated Credits Revenue	2,971,800	3,207,984	3,980,800	3,358,000	3,358,000
Dedicated Credits - Investments	731,000	272,200			
Transfers			161,000		
Transfers - Interagency	(146,000)		326,200		
Transfers - Within Agency		(500,000)	127,300		
Beginning Nonlapsing	1,641,300	2,054,540	1,067,600	764,200	876,308
Closing Nonlapsing	(2,054,500)	(1,111,208)	(906,200)	(632,400)	(744,508)
<b>Total</b>	<b>\$35,741,600</b>	<b>\$35,330,263</b>	<b>\$33,682,800</b>	<b>\$44,940,900</b>	<b>\$41,863,100</b>
<b>Programs</b>					
Administration				6,713,200	6,013,300
Bridgerland ATC	6,836,900	7,269,763	8,158,900	8,280,700	7,950,700
Central ATC			270,100	1,401,800	1,195,800
Davis ATC	7,075,100	7,447,700	8,122,800	8,101,900	7,770,900
Dixie ATC				750,200	663,800
Mountainlands ATC			1,141,300	2,096,200	1,929,200
Ogden/Weber ATC	8,017,000	8,185,800	8,871,800	8,914,600	8,585,300
Salt Lake/Tooele ATC	1,096,600	1,199,300	1,585,500	2,439,300	1,898,500
Southeast ATC			648,700	857,100	740,400
Southwest ATC			568,000	1,217,500	1,147,100
Uintah Basin ATC	3,826,400	4,297,000	4,315,700	4,168,400	3,968,100
Higher Ed ATC Service Regions	1,395,900	1,177,100			
Public Ed ATC Service Regions	4,678,700	1,318,300			
ATC/ATCSR Development		1,700,000			
Custom Fit	2,815,000	2,735,300			
<b>Total</b>	<b>\$35,741,600</b>	<b>\$35,330,263</b>	<b>\$33,682,800</b>	<b>\$44,940,900</b>	<b>\$41,863,100</b>
<b>Expenditures</b>					
Personal Services	19,549,400	20,717,009	25,072,100	25,012,700	27,556,900
In-State Travel	184,300	135,936	259,900	260,900	136,100
Out of State Travel	59,100	62,900			41,700
Current Expense	11,630,200	7,518,369	6,794,000	9,699,000	4,530,500
DP Current Expense	28,300	23,263			59,600
DP Capital Outlay		2,900			45,000
Capital Outlay	1,485,300	976,386	1,252,500	1,098,600	784,100
Other Charges/Pass Thru	2,805,000	5,893,500	304,300	8,869,700	8,709,200
<b>Total</b>	<b>\$35,741,600</b>	<b>\$35,330,263</b>	<b>\$33,682,800</b>	<b>\$44,940,900</b>	<b>\$41,863,100</b>
<b>FTE/Other</b>					
Total FTE	313	397	517	517	

## **Appendix A**

## Appendix B